

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|---|--------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | County |
| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--------------------------|--|----------------|-----|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) | | Telephone Number | | |
| Street Address | | City | State | Zip |
| Authorizing CPA Signature <i>Hennrich A. Berthiaume</i> | Printed Name | | License Number | |

CITY OF YALE

St. Clair County, Michigan

FINANCIAL STATEMENTS

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Yale, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Yale as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Yale's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, and each major fund of the City of Yale as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2008 on our consideration of the City of Yale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yale's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bertchaine & Co.

Saginaw, Michigan
September 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Yale (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,492,298 (net assets). Of this amount, \$1,821,733 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the fiscal year, the City's total net assets increased by \$360,102. Governmental activities accounted for \$183,881 of this increase, while business-type activities accounted for \$176,221.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$983,240, an increase of \$71,702 in comparison with prior year. Approximately 15 percent of this total or \$149,814 is reserved for various purposes, leaving an unreserved, undesignated fund balance of \$833,426.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$652,774, or approximately 64 percent of the General Fund's annual expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 through 13 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 9 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for the General Fund, the City's major fund, to demonstrate compliance with those budgets.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for sewage collection and water distribution. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for equipment, economic development and public improvements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water Funds, which are considered to be major funds of the City. The Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18 through 22 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplemental information.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities, assets exceeded liabilities by \$7,492,298 at the close of the most recent fiscal year. Most of this amount (72 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (\$1,821,733) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF YALE

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Yale's Net Assets

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|--|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 1,603,120 | \$ 1,513,324 | \$ 671,544 | \$ 560,630 | \$ 2,274,664 | \$ 2,073,954 |
| Capital assets | <u>2,497,255</u> | <u>2,298,814</u> | <u>5,786,579</u> | <u>5,905,659</u> | <u>8,283,834</u> | <u>8,204,473</u> |
| Total assets | <u>4,100,375</u> | <u>3,812,138</u> | <u>6,458,123</u> | <u>6,466,289</u> | <u>10,558,498</u> | <u>10,278,427</u> |
| Liabilities: | | | | | | |
| Other liabilities | 111,296 | 54,739 | 30,182 | 36,059 | 141,478 | 90,798 |
| Long-term liabilities | <u>499,099</u> | <u>451,300</u> | <u>2,425,623</u> | <u>2,604,133</u> | <u>2,924,722</u> | <u>3,055,433</u> |
| Total liabilities | <u>610,395</u> | <u>506,039</u> | <u>2,455,805</u> | <u>2,640,192</u> | <u>3,066,200</u> | <u>3,146,231</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 2,005,084 | 1,853,813 | 3,363,579 | 3,304,659 | 5,368,663 | 5,158,472 |
| Restricted | 204,292 | 219,882 | 97,610 | 86,695 | 301,902 | 306,577 |
| Unrestricted | <u>1,280,604</u> | <u>1,232,404</u> | <u>541,129</u> | <u>434,743</u> | <u>1,821,733</u> | <u>1,667,147</u> |
| Total net assets | <u>\$ 3,489,980</u> | <u>\$ 3,306,099</u> | <u>\$ 4,002,318</u> | <u>\$ 3,826,097</u> | <u>\$ 7,492,298</u> | <u>\$ 7,132,196</u> |

Statement of Activities

During the current fiscal year, the government's total net assets increased by \$360,102. Governmental activities accounted for \$183,881 of this increase, while business-type activities accounted for \$176,221.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Yale's Changes in Net Assets

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|--|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 216,900 | \$ 211,871 | \$ 632,480 | \$ 638,054 | \$ 849,380 | \$ 849,925 |
| Operating grants | 159,886 | 285,054 | - | - | 159,886 | 285,054 |
| Capital grants | 7,651 | 9,750 | 36,856 | - | 44,507 | 9,750 |
| General revenues | | | | | | |
| Property taxes | 523,279 | 505,596 | - | - | 523,279 | 505,596 |
| State revenue sharing | 221,177 | 205,577 | - | - | 221,177 | 205,577 |
| Investment earnings | 71,918 | 80,786 | 19,389 | 19,435 | 91,307 | 100,221 |
| Miscellaneous | 8,186 | 8,666 | - | - | 8,186 | 8,666 |
| Total revenues | <u>1,208,997</u> | <u>1,307,300</u> | <u>688,725</u> | <u>657,489</u> | <u>1,897,722</u> | <u>1,964,789</u> |
| Program Expenses: | | | | | | |
| General government | 245,489 | 281,996 | - | - | 245,489 | 281,996 |
| Public safety | 391,109 | 397,211 | - | - | 391,109 | 397,211 |
| Public works | 437,560 | 467,951 | - | - | 437,560 | 467,951 |
| Recreation and culture | 65,378 | 63,495 | - | - | 65,378 | 63,495 |
| Interest on long-term debt | 25,174 | 19,153 | - | - | 25,174 | 19,153 |
| Sewer | - | - | 227,731 | 227,856 | 227,731 | 227,856 |
| Water | - | - | 284,773 | 301,513 | 284,773 | 301,513 |
| Total program expenses | <u>1,164,710</u> | <u>1,229,806</u> | <u>512,504</u> | <u>529,369</u> | <u>1,677,214</u> | <u>1,759,175</u> |
| Increase in net assets before other items | <u>44,287</u> | <u>77,494</u> | <u>176,221</u> | <u>128,120</u> | <u>220,508</u> | <u>205,614</u> |
| Other items: | | | | | | |
| Contributions to principal | 1,750 | 3,904 | - | - | 1,750 | 3,904 |
| Sale of capital assets - gains | 29,974 | 8,225 | - | - | 29,974 | 8,225 |
| Transfers | 107,870 | - | - | - | 107,870 | - |
| Total other items | <u>139,594</u> | <u>12,129</u> | <u>-</u> | <u>-</u> | <u>139,594</u> | <u>12,129</u> |
| Change in net assets | <u>183,881</u> | <u>89,623</u> | <u>176,221</u> | <u>128,120</u> | <u>360,102</u> | <u>217,743</u> |
| Net assets, beginning | <u>3,306,099</u> | <u>3,216,476</u> | <u>3,826,097</u> | <u>3,697,977</u> | <u>7,132,196</u> | <u>6,914,453</u> |
| Net assets, ending | <u>\$ 3,489,980</u> | <u>\$ 3,306,099</u> | <u>\$ 4,002,318</u> | <u>\$ 3,826,097</u> | <u>\$ 7,492,298</u> | <u>\$ 7,132,196</u> |

CITY OF YALE

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental fund is the General Fund. Additionally, the City reports the Sewer and Water funds as major proprietary funds.

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund had an increased fund balance of \$58,699.

The Sewer Fund covers the operations of the City's sewage treatment plant and the maintenance and construction of the sewer distribution system.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system.

General Fund Budgetary Highlights

Over the course of the year, the City Council and City management monitor and amend the budget to account for unanticipated events during the year.

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for governmental and business-type activities as of June 30, 2008 amounts to \$8,283,834 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, furniture and equipment, sewer and water systems, streets, and sidewalks. Governmental activities included additions of \$161,508 for city office renovations, road infrastructure, and various other improvements. Business-type activities included additions of \$40,320 for additions to the water system.

Debt – At the end of the current fiscal year, the City had total debt outstanding of \$2,915,171. Of this amount, \$1,347,171 comprises debt backed by the full faith and credit of the government. The remaining of the City's debt (\$1,568,000) is backed solely by specified revenue sources.

Economic Factors

The City of Yale's economic future is currently dependent upon many factors that are beyond the control of the City Council and City management. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control – taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have been accustomed. However, should State-shared revenues be reduced further, reductions in services are inevitable.

Contacting the City's Financial Management:

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact John Osborn, City Manager, 111 West Mechanic Street, Yale, MI 48097.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

June 30, 2008

| | <i>Primary Government</i> | | | <i>Component</i> |
|---|---------------------------|----------------------|---------------------|------------------|
| | <i>Governmental</i> | <i>Business-type</i> | <i>Total</i> | <i>Units</i> |
| | <i>Activities</i> | <i>Activities</i> | | |
| Assets: | | | | |
| Cash, cash equivalents and investments | \$ 766,986 | \$ 474,431 | \$ 1,241,417 | \$ 137,550 |
| Receivables | 671,407 | 98,821 | 770,228 | 36,191 |
| Prepaid expenses | 34,810 | 682 | 35,492 | - |
| Restricted cash and cash equivalents | - | 97,610 | 97,610 | - |
| Capital assets: | | | | |
| Nondepreciable capital assets | 564,863 | - | 564,863 | - |
| Depreciable capital assets, net | 1,932,392 | 5,786,579 | 7,718,971 | - |
| Investment in Industrial Park | 129,917 | - | 129,917 | - |
| Total assets | <u>4,100,375</u> | <u>6,458,123</u> | <u>10,558,498</u> | <u>173,741</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 111,296 | 30,182 | 141,478 | 83,109 |
| Long-term liabilities: | | | | |
| Due within one year | 41,909 | 185,000 | 226,909 | - |
| Due in more than one year | <u>457,190</u> | <u>2,240,623</u> | <u>2,697,813</u> | <u>-</u> |
| Total liabilities | <u>610,395</u> | <u>2,455,805</u> | <u>3,066,200</u> | <u>83,109</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 2,005,084 | 3,363,579 | 5,368,663 | - |
| Restricted for: | | | | |
| Debt service | - | 97,610 | 97,610 | - |
| Streets | 89,288 | - | 89,288 | - |
| Nonexpendable cemetery principal | 110,945 | - | 110,945 | - |
| State construction code activities | 4,059 | - | 4,059 | - |
| Unrestricted | <u>1,280,604</u> | <u>541,129</u> | <u>1,821,733</u> | <u>90,632</u> |
| Total net assets | <u>\$ 3,489,980</u> | <u>\$ 4,002,318</u> | <u>\$ 7,492,298</u> | <u>\$ 90,632</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF YALE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

| | | Program Revenues | | | Net (Expense) Revenue |
|-------------------------------------|--------------|-------------------------|--|--|-----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs | Expenses | | | | |
| PRIMARY GOVERNMENT: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 245,489 | \$ 26,817 | \$ - | \$ - | \$ (218,672) |
| Public safety | 391,109 | 31,107 | 2,589 | 7,651 | (349,762) |
| Public works | 437,560 | 158,606 | 129,003 | - | (149,951) |
| Community and economic development | - | 370 | - | - | 370 |
| Recreation and culture | 65,378 | - | 28,294 | - | (37,084) |
| Interest on long-term debt | 25,174 | - | - | - | (25,174) |
| Total governmental activities | 1,164,710 | 216,900 | 159,886 | 7,651 | (780,273) |
| Business-type activities: | | | | | |
| Sewer | 227,731 | 320,772 | - | - | 93,041 |
| Water | 284,773 | 311,708 | - | 36,856 | 63,791 |
| Total business-type activities | 512,504 | 632,480 | - | 36,856 | 156,832 |
| Total primary government | \$ 1,677,214 | \$ 849,380 | \$ 159,886 | \$ 44,507 | \$ (623,441) |
| COMPONENT UNITS: | | | | | |
| Downtown development authority | \$ 18,398 | \$ - | \$ - | \$ - | \$ (18,398) |
| Local development finance authority | 150 | - | - | - | (150) |
| Total component units | \$ 18,548 | \$ - | \$ - | \$ - | \$ (18,548) |

continued

The accompanying notes are an integral part of these financial statements.

| | <i>Primary Government</i> | | | |
|--|---------------------------|-------------------|--------------|------------------|
| | <i>Governmental</i> | <i>Business-</i> | | <i>Component</i> |
| | <i>Activities</i> | <i>type</i> | <i>Total</i> | <i>Units</i> |
| | <u>Activities</u> | <u>Activities</u> | <u>Total</u> | <u>Units</u> |
| <i>Changes in net assets:</i> | | | | |
| Net (Expense) Revenue | \$ (780,273) | \$ 156,832 | \$ (623,441) | \$ (18,548) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | 456,246 | - | 456,246 | - |
| Property taxes, levied for police protection | 67,033 | - | 67,033 | - |
| Property taxes, captured by component units | - | - | - | 95,376 |
| Grants and contributions not restricted to specific programs | 221,177 | - | 221,177 | - |
| Unrestricted investment earnings | 71,918 | 19,389 | 91,307 | 3,656 |
| Miscellaneous | 8,186 | - | 8,186 | - |
| Contributions to principal of permanent funds | 1,750 | - | 1,750 | - |
| Special item - Gain from sale of capital assets | 29,974 | - | 29,974 | - |
| Transfers | 107,870 | - | 107,870 | (107,870) |
| Total general revenues, contributions, special item, and transfers | 964,154 | 19,389 | 983,543 | (8,838) |
| Change in net assets | 183,881 | 176,221 | 360,102 | (27,386) |
| Net assets, beginning of year | 3,306,099 | 3,826,097 | 7,132,196 | 118,018 |
| Net assets, end of year | \$ 3,489,980 | \$ 4,002,318 | \$ 7,492,298 | \$ 90,632 |

CITY OF YALE

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

| | <i>General Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Total Governmental Funds</i> |
|--|--------------------------------|---|--|
| Assets: | | | |
| Cash, cash equivalents and investments | \$ 63,086 | \$ 278,608 | \$ 341,694 |
| Accounts receivable - tax account | 556,297 | - | 556,297 |
| Accounts receivable | 22,619 | - | 22,619 |
| Accrued interest receivable | 529 | 1,652 | 2,181 |
| Due from other governmental units | 65,414 | 20,178 | 85,592 |
| Due from other funds | - | 8,554 | 8,554 |
| Prepaid expenditures | 34,457 | 353 | 34,810 |
| Total assets | <u>\$ 742,402</u> | <u>\$ 309,345</u> | <u>\$ 1,051,747</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 36,226 | \$ 8,065 | \$ 44,291 |
| Accrued expenses | 11,336 | 776 | 12,112 |
| Due to other funds | 3,550 | 8,554 | 12,104 |
| Total liabilities | <u>51,112</u> | <u>17,395</u> | <u>68,507</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Prepaid expenditures | 34,457 | 353 | 34,810 |
| Nonexpendable cemetery principal | - | 110,945 | 110,945 |
| State construction code activities | 4,059 | - | 4,059 |
| Unreserved: | | | |
| General fund | 652,774 | - | 652,774 |
| Special revenue funds | - | 180,652 | 180,652 |
| Total fund balances | <u>691,290</u> | <u>291,950</u> | <u>983,240</u> |
| Total liabilities and fund balances | <u>\$ 742,402</u> | <u>\$ 309,345</u> | <u>\$ 1,051,747</u> |

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

| | | |
|---|--|-------------------|
| Total fund balances for governmental funds | | \$ 983,240 |
|---|--|-------------------|

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

| | | |
|-------------------------------|------------------|-----------|
| Governmental capital assets | 2,322,387 | |
| Less accumulated depreciation | <u>(436,361)</u> | 1,886,026 |

| | | |
|--|--|----------|
| Interest payable in the governmental activities is not payable from current resources and therefore is not reported in the governmental funds. | | (13,963) |
|--|--|----------|

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

| | | |
|------------------------------|----------------|-----------|
| Purchase agreement | (304,671) | |
| Compensated absences payable | <u>(6,928)</u> | (311,599) |

| | | |
|---|--|----------------|
| The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. | | <u>946,276</u> |
|---|--|----------------|

| | | |
|--|--|----------------------------|
| Net assets of governmental activities | | <u>\$ 3,489,980</u> |
|--|--|----------------------------|

The accompanying notes are an integral part of these financial statements.

CITY OF YALE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

| | <i>General Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Total Governmental Funds</i> |
|--|-------------------------|--|---|
| Revenues: | | | |
| Property taxes | \$ 523,279 | \$ - | \$ 523,279 |
| Licenses and permits | 6,518 | - | 6,518 |
| State grants | 206,775 | 130,394 | 337,169 |
| Contributions from other units | - | 8,594 | 8,594 |
| Charges for services | 93,560 | 51,710 | 145,270 |
| Fines and forfeits | 3,189 | - | 3,189 |
| Investment income and rents | 46,738 | 15,030 | 61,768 |
| Other revenue | 8,811 | 24,475 | 33,286 |
| Total revenues | <u>888,870</u> | <u>230,203</u> | <u>1,119,073</u> |
| Expenditures: | | | |
| Current | | | |
| General government | 199,382 | 28,016 | 227,398 |
| Public safety | 381,435 | 4,409 | 385,844 |
| Public works | 199,377 | 148,406 | 347,783 |
| Recreation and culture | 44,442 | 12,887 | 57,329 |
| Other | 12,885 | - | 12,885 |
| Capital outlay | 155,609 | 23,482 | 179,091 |
| Debt service | | | |
| Principal | 15,329 | - | 15,329 |
| Interest and fees | 15,431 | - | 15,431 |
| Total expenditures | <u>1,023,890</u> | <u>217,200</u> | <u>1,241,090</u> |
| Excess (deficiency) of revenues over expenditures | <u>(135,020)</u> | <u>13,003</u> | <u>(122,017)</u> |
| Other financing sources (uses): | | | |
| Insurance recoveries | 1,839 | - | 1,839 |
| Transfers from other funds | 49,740 | 8,554 | 58,294 |
| Transfers from component unit | 142,140 | - | 142,140 |
| Transfers to other funds | - | (8,554) | (8,554) |
| Total other financing sources (uses) | <u>193,719</u> | <u>-</u> | <u>193,719</u> |
| Net change in fund balances | 58,699 | 13,003 | 71,702 |
| Fund balances, beginning of year | <u>632,591</u> | <u>278,947</u> | <u>911,538</u> |
| Fund balances, end of year | <u>\$ 691,290</u> | <u>\$ 291,950</u> | <u>\$ 983,240</u> |

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ 71,702**

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

| | | |
|---------------------------|-----------------|---------|
| Capital outlay | 161,508 | |
| Less depreciation expense | <u>(49,611)</u> | 111,897 |

Repayments of principal on purchase agreements are expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 15,329

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|--|----------------|---------|
| Change in compensated absences payable | (628) | |
| Change in accrued interest payable | <u>(1,104)</u> | (1,732) |

The net revenue (expense) of the internal service funds is reported with governmental activities. (13,315)

Change in net assets of governmental activities **\$ 183,881**

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

June 30, 2008

| | <i>Business-type Activities</i> | | | <i>Governmental Activities</i> |
|---|---------------------------------|-------------------|--------------|--------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total</i> | <i>Internal Service Funds</i> |
| Assets: | | | | |
| <i>Current assets:</i> | | | | |
| Cash, cash equivalents and investments | \$ 342,008 | \$ 132,423 | \$ 474,431 | \$ 425,292 |
| Accounts receivable | 49,264 | 45,494 | 94,758 | 2,340 |
| Accrued interest receivable | 2,958 | 1,105 | 4,063 | 2,378 |
| Due from other funds | - | - | - | 3,550 |
| Prepaid expenses | 341 | 341 | 682 | - |
| Total current assets | 394,571 | 179,363 | 573,934 | 433,560 |
| <i>Noncurrent assets:</i> | | | | |
| Restricted cash, cash equivalents and investments | - | 97,610 | 97,610 | - |
| Capital assets: | | | | |
| Depreciable capital assets, net | 2,841,785 | 2,944,794 | 5,786,579 | 611,229 |
| Investment in Industrial Park | - | - | - | 129,917 |
| Total noncurrent assets | 2,841,785 | 3,042,404 | 5,884,189 | 741,146 |
| Total assets | 3,236,356 | 3,221,767 | 6,458,123 | 1,174,706 |
| Liabilities: | | | | |
| <i>Current liabilities:</i> | | | | |
| Accounts payable | 2,299 | 2,610 | 4,909 | 2,205 |
| Accrued expenses | 822 | 1,066 | 1,888 | 269 |
| Due to other governmental units | - | - | - | 34,270 |
| Accrued interest payable | 4,275 | 19,110 | 23,385 | 4,186 |
| Current portion of long-term debt | 135,000 | 50,000 | 185,000 | 26,382 |
| Total current liabilities | 142,396 | 72,786 | 215,182 | 67,312 |
| <i>Noncurrent liabilities:</i> | | | | |
| Compensated absences payable | 1,208 | 1,415 | 2,623 | - |
| Long-term debt | 720,000 | 1,518,000 | 2,238,000 | 161,118 |
| Total noncurrent liabilities | 721,208 | 1,519,415 | 2,240,623 | 161,118 |
| Total liabilities | 863,604 | 1,592,201 | 2,455,805 | 228,430 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 1,986,785 | 1,376,794 | 3,363,579 | 423,729 |
| Restricted for: | | | | |
| Debt service | - | 97,610 | 97,610 | - |
| Unrestricted | 385,967 | 155,162 | 541,129 | 522,547 |
| Total net assets | \$ 2,372,752 | \$ 1,629,566 | \$ 4,002,318 | \$ 946,276 |

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2008

| | <i>Business-type Activities</i> | | | <i>Governmental Activities</i> |
|---|---------------------------------|-----------------------|--------------|---------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total</i> | <i>Internal Service Funds</i> |
| Operating revenues: | | | | |
| Charges for services | \$ 313,238 | \$ 303,841 | \$ 617,079 | \$ 21,400 |
| Penalties | 6,034 | 5,867 | 11,901 | - |
| Equipment rental | - | - | - | 86,826 |
| Other | 1,500 | 2,000 | 3,500 | - |
| Total operating revenues | 320,772 | 311,708 | 632,480 | 108,226 |
| Operating expenses: | | | | |
| Personnel | 39,384 | 51,600 | 90,984 | 16,147 |
| Fringe benefits | 12,150 | 19,096 | 31,246 | 5,981 |
| Supplies | 3,997 | 12,842 | 16,839 | 14,274 |
| Contracted services | 7,277 | 3,395 | 10,672 | 1,335 |
| Telephone | 564 | - | 564 | - |
| Mileage | 17 | 373 | 390 | - |
| Dues and membership fees | 70 | 1,349 | 1,419 | - |
| Education and training | - | 240 | 240 | - |
| Printing and publishing | - | 163 | 163 | - |
| Insurance | 373 | 373 | 746 | 1,711 |
| Utilities | 9,001 | 12,760 | 21,761 | - |
| Repair and maintenance | 29,321 | 3,775 | 33,096 | 14,858 |
| Equipment rental | 20,064 | 30,126 | 50,190 | - |
| Other services and supplies | 20 | - | 20 | 321 |
| Depreciation | 87,743 | 71,656 | 159,399 | 56,092 |
| Total operating expenses | 209,981 | 207,748 | 417,729 | 110,719 |
| Operating income (loss) | 110,791 | 103,960 | 214,751 | (2,493) |
| Non-operating revenues (expenses): | | | | |
| Federal grants | - | - | - | 7,651 |
| State revenue | - | 36,856 | 36,856 | 15,600 |
| Interest income | 12,160 | 7,229 | 19,389 | 17,349 |
| Rental income | - | - | - | 12,253 |
| Gain from sale of industrial park land | - | - | - | 23,134 |
| Gain from sale of capital assets | - | - | - | 5,840 |
| Interest expense | (17,750) | (77,025) | (94,775) | (8,639) |
| Total non-operating revenues (expenses) | (5,590) | (32,940) | (38,530) | 73,188 |
| Net income (loss) before transfers | 105,201 | 71,020 | 176,221 | 70,695 |

continued

The accompanying notes are an integral part of these financial statements.

CITY OF YALE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, CONTINUED

Year Ended June 30, 2008

| | <i>Business-type Activities</i> | | | <i>Governmental Activities</i> |
|-------------------------------|---------------------------------|-----------------------|---------------------|---------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total</i> | <i>Internal Service Funds</i> |
| Transfers to other funds | - | - | - | (49,740) |
| Transfers to component units | - | - | - | (34,270) |
| Net income (loss) | 105,201 | 71,020 | 176,221 | (13,315) |
| Net assets, beginning of year | 2,267,551 | 1,558,546 | 3,826,097 | 959,591 |
| Net assets, end of year | <u>\$ 2,372,752</u> | <u>\$ 1,629,566</u> | <u>\$ 4,002,318</u> | <u>\$ 946,276</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF YALE

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

| | <i>Business-type Activities</i> | | | <i>Governmental Activities</i> |
|---|---------------------------------|-------------------|--------------|--------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total</i> | <i>Internal Service Funds</i> |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 329,139 | \$ 319,351 | \$ 648,490 | \$ 15,510 |
| Cash received from interfund services | - | - | - | 121,096 |
| Other cash receipts (payments) | (2,611) | (835) | (3,446) | 4,344 |
| Cash payments to employees | (39,460) | (51,543) | (91,003) | (16,072) |
| Cash payments to suppliers for goods/services | (86,862) | (87,052) | (173,914) | (35,193) |
| Net cash provided by operating activities | 200,206 | 179,921 | 380,127 | 89,685 |
| Cash flows from non-capital financing activities: | | | | |
| Transfers | - | - | - | (84,010) |
| Net cash used by non-capital financing activities | - | - | - | (84,010) |
| Cash flows from capital and related financing activities: | | | | |
| Federal grants | - | - | - | 7,651 |
| State revenue | - | 36,856 | 36,856 | 15,600 |
| Acquisition and construction of capital assets | - | (40,320) | (40,320) | (142,636) |
| Gain from sale of industrial park land | - | - | - | 23,134 |
| Gain from sale of capital assets | - | - | - | 5,840 |
| Proceeds from capital borrowing | - | - | - | 75,000 |
| Principal payments on capital debt | (130,000) | (48,000) | (178,000) | (12,500) |
| Interest paid on capital debt | (17,750) | (77,025) | (94,775) | (8,639) |
| Net cash used by capital and related financing activities | (147,750) | (128,489) | (276,239) | (36,550) |
| Cash flows from investing activities: | | | | |
| Interest received | 12,160 | 7,229 | 19,389 | 17,349 |
| Rental income | - | - | - | 12,253 |
| Net cash provided by investing activities | 12,160 | 7,229 | 19,389 | 29,602 |
| Net increase (decrease) in cash, cash equivalents and investments | 64,616 | 58,661 | 123,277 | (1,273) |
| Cash, cash equivalents and investments, beginning of year | 277,392 | 171,372 | 448,764 | 426,565 |
| Cash, cash equivalents and investments, end of year | \$ 342,008 | \$ 230,033 | \$ 572,041 | \$ 425,292 |

continued

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS **STATEMENT OF CASH FLOWS, CONTINUED**

Year Ended June 30, 2008

| | <i>Business-type Activities</i> | | | <i>Governmental Activities</i> |
|---|---------------------------------|-------------------|-------------------|--------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total</i> | <i>Internal Service Funds</i> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 110,791 | \$ 103,960 | \$ 214,751 | \$ (2,493) |
| Adjustments: | | | | |
| Depreciation | 87,743 | 71,656 | 159,399 | 56,092 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | 8,367 | 7,643 | 16,010 | (2,340) |
| Accrued interest receivable | (2,611) | (835) | (3,446) | (1,397) |
| Due from other funds | - | - | - | (3,550) |
| Prepaid expenses | (100) | (100) | (200) | - |
| Investment in Industrial Park | - | - | - | 5,741 |
| Accounts payable | (3,258) | (1,875) | (5,133) | 585 |
| Accrued expenses | 238 | 253 | 491 | 75 |
| Due to other governmental units | - | - | - | 34,270 |
| Accrued interest payable | (650) | (585) | (1,235) | 2,702 |
| Compensated absences payable | (314) | (196) | (510) | - |
| Net cash provided by operating activities | <u>\$ 200,206</u> | <u>\$ 179,921</u> | <u>\$ 380,127</u> | <u>\$ 89,685</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF YALE

FIDUCIARY FUND
STATEMENT OF NET ASSETS
June 30, 2008

| | <u><i>Agency Funds</i></u> |
|---------------------------------------|--------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 558,019 |
| Total assets | <u>558,019</u> |
| Liabilities: | |
| Accounts payable and accrued expenses | <u>558,019</u> |
| Total liabilities | <u>558,019</u> |
| Net Assets: | |
| Unrestricted | <u>-</u> |
| Total net assets | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yale, Michigan, established in 1905, is a public corporation created under the Constitution and statutes of the State of Michigan. Located in St. Clair County, the City of Yale covers an area of approximately one square mile and is one of seven cities in St. Clair County, Michigan, each of which is a separate governmental entity. The City operates under an elected City Council which consists of a Mayor, Clerk, Treasurer, and six Council members and provides services in many areas including law enforcement, fire protection, ambulance services, water, sewer, solid waste disposal, streets, and parks and recreation to approximately 2,100 residents.

The accounting policies of the City of Yale conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Units - The component units' columns in the government-wide financial statements include the financial data of the City's two component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the City Council. The issuance of bonded debt and levying of taxes by the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Local Development Finance Authority - The members of the governing board of the Local Development Finance Authority (LDFA) are appointed by the City Council. The issuance of bonded debt and levying of taxes by the LDFA must be approved by the City Council. The City also has the ability to significantly influence operations of the LDFA.

Separate financial statements for the component units are not prepared.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City’s net assets resulting from current year activities.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

The City reports the following major enterprise funds:

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Water Fund – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if any were acquired after July 1, 2003. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|--|-------------|
| Buildings and improvements | 20-50 years |
| Vehicles | 5-10 years |
| Furniture and other equipment | 4-30 years |
| Distribution systems - water and sewer | 5-50 years |
| Infrastructure - streets | 30 years |

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick or vacation days depending on type of employee. Under the police union contract, employees with 5 or more years of service at separation will be paid 50% of the first 500 hours of accumulated sick days and 25% of the remainder, up to 980 hours. Other employees not covered under any specific contract with 1 or more years of service at separation will be paid for accumulated vacation days at their current rate of pay. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes attach as an enforceable lien on property as of the date they are levied. City and community college taxes are levied and due July 1 and become delinquent after September 15. County, school, and library taxes are levied and due December 1 and become delinquent after February 14. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables.

The 2007 taxable valuation of the City totaled \$38,964,173, on which ad valorem taxes levied consisted of 12.4992 mills for the City’s operating purposes and 1.9318 mills for police protection.

The delinquent real property taxes of the City are purchased by St. Clair County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by a City Council resolution.
4. The City Manager is authorized to transfer budgeted amounts between line items within an activity. However, any revision that alters the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

| | <i><u>Final Budget</u></i> | <i><u>Actual</u></i> | <i><u>Excess</u></i> |
|--------------------|--------------------------------|----------------------|----------------------|
| General Fund | | | |
| General government | \$ 197,388 | \$ 199,382 | \$ 1,994 |
| Other | 12,200 | 12,885 | 685 |
| Capital outlay | 149,380 | 155,609 | 6,229 |

State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

| | |
|--------------------------------------|-----------------|
| Cumulative surplus at July 1, 2007 | \$ 3,722 |
| Current year building permit revenue | 6,518 |
| Related expenses: | |
| Direct costs | <u>6,181</u> |
| Cumulative surplus at June 30, 2008 | <u>\$ 4,059</u> |

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$963,894 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

| <u>Investment</u> | <u>Carrying Value</u> | <u>How Held</u> |
|---------------------------------------|---------------------------|-----------------|
| U.S. government and agency securities | \$ 384,375 | Counterparty |

Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

| <u>Investment</u> | <u>Fair Value</u> | <u>Weighted Average Maturity</u> |
|--|-------------------|--|
| U.S. government and agency securities: | | |
| Federal Home Loan Mortgage Corporation | \$ 238,656 | 10 years |
| Federal National Mortgage Association | 145,719 | 12.5 years |

Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

| <u>Investment</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Rating Organization</u> |
|---------------------------------------|-------------------|---------------|--------------------------------|
| U.S. government and agency securities | \$ 384,375 | Not Rated | Not Rated |

Concentration of Credit Risk:

The City places no limit on the amount the City may invest in any one issuer. At year end, the City had more than 5% of its investments in the following:

| <u>Investment</u> | <u>Fair Value</u> | <u>Concentration</u> |
|--|-------------------|----------------------|
| U.S. government and agency securities: | | |
| Federal Home Loan Mortgage Corporation | \$ 238,656 | 62% |
| Federal National Mortgage Association | 145,719 | 38% |

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

The ordinance authorizing issuance of the 2001 Water Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Receiving Account - All receipts are initially deposited into this account.

Operation and Maintenance Account - Quarterly transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due.

Bond Reserve Account - Excess funds of up to \$2,750 per quarter are to be transferred to this account until \$111,000 is accumulated.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

As of June 30, 2008, the City has set aside sufficient amounts as follows:

| | <u>Water</u> |
|---------------------------------------|------------------|
| Restricted cash and cash equivalents: | |
| Bond and interest redemption account | \$ 31,610 |
| Bond reserve | <u>66,000</u> |
| | <u>\$ 97,610</u> |

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

| | <u>July 1, 2007</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2008</u> |
|--|-------------------------|-------------------|--------------------|--------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 564,863 | \$ - | \$ - | \$ 564,863 |
| Depreciable capital assets | | | | |
| Buildings and improvements | 565,096 | 23,901 | - | 588,997 |
| Furniture, machinery and equipment | 804,402 | 168,864 | (34,000) | 939,266 |
| Infrastructure | 1,032,952 | 93,326 | - | 1,126,278 |
| Land improvements | 13,718 | - | - | 13,718 |
| Site improvements | 2,880 | 18,053 | - | 20,933 |
| Vehicles | 108,987 | - | - | 108,987 |
| Total depreciable capital assets | 2,528,035 | 304,144 | (34,000) | 2,798,179 |
| Accumulated depreciation | <u>(794,084)</u> | <u>(105,703)</u> | <u>34,000</u> | <u>(865,787)</u> |
| Depreciable capital assets, net | <u>1,733,951</u> | <u>198,441</u> | <u>-</u> | <u>1,932,392</u> |
| Governmental activities, capital assets, net | <u>\$ 2,298,814</u> | <u>\$ 198,441</u> | <u>\$ -</u> | <u>\$ 2,497,255</u> |

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

| | <u>July 1,</u> <u>2007</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30,</u> <u>2008</u> |
|---|-------------------------------|---------------------|--------------------|--------------------------------|
| Business-type activities: | | | | |
| Depreciable capital assets | | | | |
| Equipment | \$ 240,631 | \$ - | \$ - | \$ 240,631 |
| Sewer system | 3,630,710 | - | - | 3,630,710 |
| Water system | 3,360,102 | 40,319 | - | 3,400,421 |
| Total depreciable capital assets | 7,231,443 | 40,319 | - | 7,271,762 |
| Accumulated depreciation | (1,325,784) | (159,399) | - | (1,485,183) |
| Depreciable capital assets, net | 5,905,659 | (119,080) | - | 5,786,579 |
| Business-type activities, capital assets, net | <u>\$ 5,905,659</u> | <u>\$ (119,080)</u> | <u>\$ -</u> | <u>\$ 5,786,579</u> |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|----------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 5,332 |
| Public safety | 22,683 |
| Public works | 69,645 |
| Recreation and culture | 8,043 |
| Total governmental activities | <u>\$ 105,703</u> |
| Business-type activities: | |
| Sewer | \$ 87,743 |
| Water | 71,656 |
| Total business-type activities | <u>\$ 159,399</u> |

NOTE 6: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At year end, the City had no deferred revenue.

NOTE 7: LONG-TERM DEBT

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Long-term liabilities at June 30, 2008 consisted of the following:

| <u>Types of Indebtedness</u> | <u>Maturity</u> | <u>Interest Rates</u> | <u>Annual Principal Payments</u> | <u>Original Issue Amount</u> | <u>Balance at Year-End</u> |
|---|-------------------|-----------------------|----------------------------------|------------------------------|----------------------------|
| <u>Governmental Activities</u> | | | | | |
| <i>Installment Agreements and Loans:</i> | | | | | |
| 2001 Purchase contract - Fire truck | 10/1/06-10/1/16 | 4.75% | \$10,000-17,500 | \$ 185,000 | \$ 112,500 |
| 2006 Purchase contract - Property | 7/1/07-7/1/21 | 4.99% | 15,329-29,299 | 320,000 | 304,671 |
| 2007 Loan - Street Sweeper | 7/10/07-7/10/12 | 3.96% | 13,882-16,066 | 75,000 | 75,000 |
| <u>Business-type Activities</u> | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| 1993 Series - County of St. Clair Proj 5086-01 | 10/1/06-10/1/13 | 2.00% | 130,000-150,000 | 2,486,552 | 855,000 |
| <i>Revenue Bonds:</i> | | | | | |
| 2002 Series - Water Supply System Revenue Bond | 10/1/06-10/1/40 | 4.875% | 20,000-90,000 | 1,857,000 | 1,568,000 |
| <u>Component Units</u> | | | | | |
| <i>Agreements:</i> | | | | | |
| 2003 Contract payable - Repair work | 12/30/06-12/30/07 | 0.00% | 5,000 | 25,000 | - |
| 2003 Note payable - Downtown improvements | 6/3/06-6/3/08 | 2.23% | 21,460-21,930 | 105,000 | - |

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

| | <u>July 1, 2007</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2008</u> | <u>Due Within One Year</u> |
|---|---------------------|------------------|---------------------|----------------------|----------------------------|
| Governmental activities: | | | | | |
| <i>Installment Agreements and Loans:</i> | | | | | |
| 2001 Purchase contract - Fire truck | \$ 125,000 | \$ - | \$ (12,500) | \$ 112,500 | \$ 12,500 |
| 2006 Purchase contract - Property | 320,000 | - | (15,329) | 304,671 | 15,527 |
| 2007 Loan - Street Sweeper | - | 75,000 | - | 75,000 | 13,882 |
| Compensated Absences | 6,300 | 628 | - | 6,928 | - |
| Total governmental activities | | | | | |
| - long-term liabilities | <u>\$ 451,300</u> | <u>\$ 75,628</u> | <u>\$ (27,829)</u> | <u>\$ 499,099</u> | <u>\$ 41,909</u> |
| Business-type activities: | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| 1993 Issue | \$ 985,000 | \$ - | \$ (130,000) | \$ 855,000 | \$ 135,000 |
| <i>Revenue Bonds:</i> | | | | | |
| 2002 Issue | 1,616,000 | - | (48,000) | 1,568,000 | 50,000 |
| Compensated Absences | 3,132 | - | (509) | 2,623 | - |
| Total business-type activities | | | | | |
| - long-term liabilities | <u>\$ 2,604,132</u> | <u>\$ -</u> | <u>\$ (178,509)</u> | <u>\$ 2,425,623</u> | <u>\$ 185,000</u> |

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

| | <u>July 1, 2007</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2008</u> | <u>Due Within One Year</u> |
|-------------------------|-------------------------|------------------|--------------------|--------------------------|--------------------------------|
| Component units: | | | | | |
| <i>Agreements:</i> | | | | | |
| 2003 Contract payable | \$ 5,000 | \$ - | \$ (5,000) | \$ - | \$ - |
| 2003 Note payable | <u>21,929</u> | <u>-</u> | <u>(21,929)</u> | <u>-</u> | <u>-</u> |
| Total component units | | | | | |
| - long-term liabilities | <u>\$ 26,929</u> | <u>\$ -</u> | <u>\$ (26,929)</u> | <u>\$ -</u> | <u>\$ -</u> |

Annual debt service requirements to maturity for the above long-term liabilities are as follows:

| <i>Year Ended</i> | <i>Governmental Activities</i> | | | <i>Business-type Activities</i> | | |
|-------------------|--------------------------------|-------------------|-------------------|---------------------------------|---------------------|---------------------|
| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2009 | \$ 41,909 | \$ 23,254 | \$ 65,163 | \$ 185,000 | \$ 90,971 | \$ 275,971 |
| 2010 | 43,282 | 21,287 | 64,569 | 160,000 | 86,515 | 246,515 |
| 2011 | 44,666 | 19,309 | 63,975 | 162,000 | 82,691 | 244,691 |
| 2012 | 46,116 | 17,265 | 63,381 | 169,000 | 78,720 | 247,720 |
| 2013 | 49,948 | 15,130 | 65,078 | 170,000 | 74,626 | 244,626 |
| 2014-2018 | 157,148 | 47,656 | 204,804 | 290,000 | 332,756 | 622,756 |
| 2019-2023 | 109,102 | 13,938 | 123,040 | 175,000 | 293,157 | 468,157 |
| 2024-2028 | - | - | - | 220,000 | 245,212 | 465,212 |
| 2029-2033 | - | - | - | 280,000 | 184,568 | 464,568 |
| 2034-2038 | - | - | - | 354,000 | 107,738 | 461,738 |
| 2039-2041 | - | - | - | 258,000 | 19,257 | 277,257 |
| | <u>\$ 492,171</u> | <u>\$ 157,839</u> | <u>\$ 650,010</u> | <u>\$ 2,423,000</u> | <u>\$ 1,596,211</u> | <u>\$ 4,019,211</u> |

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's primary government and component units in the aggregate are as follows:

| | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Component Units</i> |
|--|------------------------------------|-------------------------------------|----------------------------|
| Receivables | | | |
| Accounts receivable - tax account | \$ 556,297 | \$ - | \$ - |
| Accounts receivable | 24,959 | 94,758 | - |
| Accrued interest | 4,559 | 4,063 | 571 |
| Intergovernmental | 85,592 | - | 35,620 |
| Total receivables | <u>\$ 671,407</u> | <u>\$ 98,821</u> | <u>\$ 36,191</u> |
| Accounts payable and accrued expenses | | | |
| Accounts | \$ 46,496 | \$ 4,909 | \$ 83,109 |
| Payroll and related liabilities | 12,381 | 1,888 | - |
| Intergovernmental | 34,270 | - | - |
| Accrued interest | 18,149 | 23,385 | - |
| Total accounts payable and accrued expenses | <u>\$ 111,296</u> | <u>\$ 30,182</u> | <u>\$ 83,109</u> |

NOTE 9: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2008 is as follows:

| <i>Receivable Fund</i> | <i>Payable Fund</i> | <i>Amount</i> |
|-------------------------|------------------------------|------------------|
| Equipment Fund | General Fund | \$ 3,550 |
| Cemetery Operating Fund | Cemetery Perpetual Care Fund | 8,554 |
| | | <u>\$ 12,104</u> |

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

| <i>Funds Transferred From</i> | <i>Funds Transferred To</i> | <i>Amount</i> |
|-------------------------------------|-------------------------------------|-------------------|
| Public Improvement Fund | General Fund | \$ 49,740 |
| Cemetery Perpetual Care Fund | Cemetery Operating Fund | 8,554 |
| Downtown Development Authority | General Fund | 48,814 |
| Local Development Finance Authority | General Fund | 93,326 |
| Economic Development Fund | Local Development Finance Authority | 34,270 |
| | | <u>\$ 234,704</u> |

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The City has purchased commercial insurance for risks to cover these losses. The City also carries commercial insurance for other risks of loss, including employee health insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Pension Plan:

The City does not have an employee pension plan.

Post Employment Benefits:

The City currently has no requirement to pay employees post employment benefits.

Deferred Compensation Plan:

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by ICMA Retirement Corporation. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City has placed all deferred compensation plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

NOTE 12: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for nonexpendable cemetery principal – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

Reserved for state construction code activities – This reserve was created to indicate that portion of fund balance required to be used for construction code costs.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 13: COMPONENT UNITS REPORTING

Statement of Net Assets:

| | <i>Downtown Development Authority</i> | <i>Local Development Finance Authority</i> | <i>Total</i> |
|--|--|---|---------------------|
| Assets: | | | |
| Cash, cash equivalents and investments | \$ 63,440 | \$ 74,110 | \$ 137,550 |
| Accrued interest receivable | 72 | 499 | 571 |
| Due from other governmental units | <u>1,350</u> | <u>34,270</u> | <u>35,620</u> |
| Total assets | <u>64,862</u> | <u>108,879</u> | <u>173,741</u> |
| Liabilities: | | | |
| Accounts payable and accrued expenses | <u>20</u> | <u>83,089</u> | <u>83,109</u> |
| Total liabilities | <u>20</u> | <u>83,089</u> | <u>83,109</u> |
| Net assets: | | | |
| Unrestricted | <u>64,842</u> | <u>25,790</u> | <u>90,632</u> |
| Total net assets | <u>\$ 64,842</u> | <u>\$ 25,790</u> | <u>\$ 90,632</u> |

Statement of Activities:

| | <i>Downtown Development Authority</i> | <i>Local Development Finance Authority</i> | <i>Total</i> |
|------------------------------------|--|---|---------------------|
| Revenues: | | | |
| General revenues | | | |
| Property taxes | \$ 71,549 | \$ 23,827 | \$ 95,376 |
| Investment earnings | 689 | 2,967 | 3,656 |
| Transfers | <u>(48,814)</u> | <u>(59,056)</u> | <u>(107,870)</u> |
| Total revenues | <u>23,424</u> | <u>(32,262)</u> | <u>(8,838)</u> |
| Expenses: | | | |
| Community and economic development | <u>18,398</u> | <u>150</u> | <u>18,548</u> |
| Total expenses | <u>18,398</u> | <u>150</u> | <u>18,548</u> |
| Change in net assets | 5,026 | (32,412) | (27,386) |
| Net assets, beginning of year | <u>59,816</u> | <u>58,202</u> | <u>118,018</u> |
| Net assets, end of year | <u>\$ 64,842</u> | <u>\$ 25,790</u> | <u>\$ 90,632</u> |

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF YALE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

| | <i>Budgeted Amounts</i> | | | <i>Actual Over (Under) Final Budget</i> |
|--|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | <i>Actual</i> | |
| Revenues: | | | | |
| Property taxes | \$ 521,752 | \$ 521,752 | \$ 523,279 | \$ 1,527 |
| Licenses and permits | 8,500 | 8,500 | 6,518 | (1,982) |
| State grants | 191,100 | 191,100 | 206,775 | 15,675 |
| Charges for services | 75,840 | 75,840 | 93,560 | 17,720 |
| Fines and forfeits | 4,500 | 4,500 | 3,189 | (1,311) |
| Interest and rents | 35,700 | 35,700 | 46,738 | 11,038 |
| Other revenue | 5,000 | 5,000 | 8,811 | 3,811 |
| Total revenues | 842,392 | 842,392 | 888,870 | 46,478 |
| Expenditures: | | | | |
| Current | | | | |
| General government | 233,388 | 197,388 | 199,382 | 1,994 |
| Public safety | 362,714 | 385,214 | 381,435 | (3,779) |
| Public works | 193,030 | 208,030 | 199,377 | (8,653) |
| Recreation and culture | 44,005 | 51,105 | 44,442 | (6,663) |
| Other | 12,200 | 12,200 | 12,885 | 685 |
| Capital outlay | - | 149,380 | 155,609 | 6,229 |
| Debt service | | | | |
| Principal | - | 15,329 | 15,329 | - |
| Interest and fees | - | 15,431 | 15,431 | - |
| Total expenditures | 845,337 | 1,034,077 | 1,023,890 | (10,187) |
| Excess (deficiency) of revenues over expenditures | (2,945) | (191,685) | (135,020) | 56,665 |
| Other financing sources: | | | | |
| Insurance recoveries | - | - | 1,839 | 1,839 |
| Transfers from other funds | 30,000 | 30,000 | 49,740 | 19,740 |
| Transfers from component units | - | 142,140 | 142,140 | - |
| Total other financing sources | 30,000 | 172,140 | 193,719 | 21,579 |
| Net change in fund balance | 27,055 | (19,545) | 58,699 | 78,244 |
| Fund balance, beginning of year | 632,591 | 632,591 | 632,591 | - |
| Fund balance, end of year | \$ 659,646 | \$ 613,046 | \$ 691,290 | \$ 78,244 |

OTHER SUPPLEMENTAL INFORMATION

CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2008

Revenues:

Current Taxes:

| | |
|---------------------------------|----------------|
| Property taxes | \$ 501,227 |
| Trailer tax | 254 |
| Penalties and interest on taxes | 3,413 |
| Administration fees | 18,385 |
| | <u>523,279</u> |

Licenses and permits:

| | |
|----------------------------------|--------------|
| Nonbusiness licenses and permits | <u>6,518</u> |
|----------------------------------|--------------|

State Grants:

| | |
|-----------------------------------|----------------|
| Liquor license fees | 1,198 |
| State revenue sharing - sales tax | 205,577 |
| | <u>206,775</u> |

Charges for services:

| | |
|-------------------------------|---------------|
| Refuse collection fees | 93,190 |
| Zoning permits and lot splits | 370 |
| | <u>93,560</u> |

Fines and forfeits:

| | |
|--------------------------|--------------|
| Police fines and reports | <u>3,189</u> |
|--------------------------|--------------|

Interest and rents:

| | |
|----------|---------------|
| Interest | 39,538 |
| Rents | 7,200 |
| | <u>46,738</u> |

Other Revenue:

| | |
|----------------------|--------------|
| Sale of fixed assets | 1,000 |
| Refunds and rebates | 7,509 |
| Other | 302 |
| | <u>8,811</u> |

| | |
|----------------|----------------|
| Total revenues | <u>888,870</u> |
|----------------|----------------|

Other Financing Sources:

| | |
|--------------------------------|----------------|
| Insurance recoveries | 1,839 |
| Transfers from other funds | 49,740 |
| Transfers from component units | 142,140 |
| | <u>193,719</u> |

| | |
|--|---------------------|
| Total revenues and other financing sources | <u>\$ 1,082,589</u> |
|--|---------------------|

CITY OF YALE

GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
Year Ended June 30, 2008

General Government:

Council:

| | |
|-----------|----------|
| Personnel | \$ 8,338 |
|-----------|----------|

Manager:

| | |
|------------------------|---------------|
| Personnel | 59,968 |
| Fringe benefits | 20,516 |
| Supplies | 406 |
| Telephone | 440 |
| Mileage | 733 |
| Education and training | 58 |
| Other | 109 |
| | <u>82,230</u> |

Clerk:

| | |
|----------------------|--------------|
| Personnel | 6,321 |
| Fringe benefits | 481 |
| Supplies | 89 |
| Mileage | 143 |
| Dues and memberships | 25 |
| Other | 40 |
| | <u>7,099</u> |

Audit:

| | |
|---------------------|--------------|
| Contracted services | <u>3,325</u> |
|---------------------|--------------|

Board of Review:

| | |
|---------------------|------------|
| Contracted services | <u>525</u> |
|---------------------|------------|

Treasurer:

| | |
|---------------------------|---------------|
| Personnel | 7,904 |
| Fringe benefits | 628 |
| Supplies | 1,154 |
| Dues and memberships | 35 |
| Printing and publications | 40 |
| Repairs and maintenance | 334 |
| | <u>10,095</u> |

Assessor:

| | |
|---------------------------|---------------|
| Supplies | 516 |
| Contracted services | 10,152 |
| Printing and publications | 255 |
| Repairs and maintenance | 19 |
| | <u>10,942</u> |

CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2008

General Government, Continued:

Elections:

| | |
|----------|-------|
| Supplies | 3,910 |
|----------|-------|

Building and Grounds:

| | |
|---------------------------|---------------|
| Personnel | 7,890 |
| Fringe benefits | 3,714 |
| Supplies | 4,734 |
| Contracted services | 2,957 |
| Telephone | 2,471 |
| Mileage | 224 |
| Dues and memberships | 1,827 |
| Education and training | 163 |
| Printing and publications | 2,129 |
| Utilities | 10,076 |
| Repairs and maintenance | 15,195 |
| Equipment rental | 1,545 |
| Other | 1,212 |
| | <u>54,137</u> |

Attorney:

| | |
|---------------------|---------------|
| Contracted services | <u>17,660</u> |
|---------------------|---------------|

Decorations:

| | |
|------------------|--------------|
| Personnel | 798 |
| Fringe benefits | 137 |
| Equipment rental | 186 |
| | <u>1,121</u> |

| | |
|--------------------------|----------------|
| Total general government | <u>199,382</u> |
|--------------------------|----------------|

Public Safety:

Police:

| | |
|-------------------------|----------------|
| Personnel | 210,268 |
| Fringe benefits | 63,591 |
| Supplies | 14,151 |
| Contracted services | 15,202 |
| Telephone | 1,833 |
| Mileage | 152 |
| Dues and memberships | 100 |
| Education and training | 1,133 |
| Insurance | 18,297 |
| Repairs and maintenance | 10,045 |
| Equipment rental | 5,760 |
| Other | 140 |
| | <u>340,672</u> |

CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2008

Public Safety, Continued:

Fire:

| | |
|-------------------------|---------------|
| Personnel | 6,481 |
| Fringe benefits | 444 |
| Supplies | 1,129 |
| Telephone | 1,043 |
| Dues and memberships | 75 |
| Education and training | 79 |
| Insurance | 9,443 |
| Utilities | 6,141 |
| Repairs and maintenance | 4,902 |
| Other | 48 |
| | <u>29,785</u> |

Building Inspection Department:

| | |
|---------------------|--------------|
| Contracted services | <u>6,181</u> |
|---------------------|--------------|

Crossing Guard:

| | |
|---------------------|--------------|
| Contracted services | <u>4,797</u> |
|---------------------|--------------|

| | |
|---------------------|----------------|
| Total public safety | <u>381,435</u> |
|---------------------|----------------|

Public Works:

Department of Public Works:

| | |
|-------------------------|---------------|
| Personnel | 28,338 |
| Fringe benefits | 11,292 |
| Supplies | 1,501 |
| Contracted services | 2,936 |
| Telephone | 960 |
| Mileage | 109 |
| Insurance | 7,343 |
| Utilities | 4,269 |
| Repairs and maintenance | 2,139 |
| Equipment rental | 13,083 |
| | <u>71,970</u> |

Street Lighting:

| | |
|-----------|---------------|
| Utilities | <u>38,229</u> |
|-----------|---------------|

Refuse:

| | |
|---------------------|---------------|
| Supplies | 954 |
| Contracted services | 84,316 |
| Equipment rental | 3,908 |
| | <u>89,178</u> |

| | |
|--------------------|----------------|
| Total public works | <u>199,377</u> |
|--------------------|----------------|

CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2008

Recreation and Culture:

Parks:

| | |
|-------------------------|---------------|
| Personnel | 13,228 |
| Fringe benefits | 2,800 |
| Supplies | 1,155 |
| Insurance | 2,235 |
| Utilities | 1,700 |
| Repairs and maintenance | 1,547 |
| Equipment rental | 12,291 |
| | <u>34,956</u> |

Library:

| | |
|------------------------------|---------------|
| Personnel | 1,135 |
| Fringe benefits | 836 |
| Supplies | 1,071 |
| Contracted services | 27 |
| Insurance | 1,867 |
| Utilities | 477 |
| Repairs and maintenance | 2,791 |
| Equipment rental | 1,132 |
| Other | 150 |
| | <u>9,486</u> |
| Total recreation and culture | <u>44,442</u> |

Other:

| | |
|---------------------|---------------|
| Insurance and bonds | <u>12,885</u> |
|---------------------|---------------|

Capital Outlay:

| | |
|------------------------------------|----------------|
| General government | 53,283 |
| Community and economic development | 93,326 |
| Recreation and culture | 9,000 |
| | <u>155,609</u> |
| Total capital outlay | <u>155,609</u> |

Debt Service:

| | |
|-------------------|---------------|
| Principal | 15,329 |
| Interest and fees | 15,431 |
| | <u>30,760</u> |

| | |
|--------------------|---------------------|
| Total expenditures | <u>\$ 1,023,890</u> |
|--------------------|---------------------|

CITY OF YALE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2008

| | <i>Special Revenue Funds</i> | | | |
|--|----------------------------------|----------------------------------|---------------------------------|--------------------------------------|
| | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>City Street Fund</i> | <i>Park Improvement Fund</i> |
| Assets: | | | | |
| Cash, cash equivalents and investments | \$ 7,244 | \$ 62,938 | \$ 40,534 | \$ 30,061 |
| Accrued interest receivable | 244 | 439 | - | 337 |
| Due from other governmental units | 14,306 | 5,872 | - | - |
| Due from other funds | - | - | - | - |
| Prepaid expenditures | - | - | - | - |
| Total assets | <u>\$ 21,794</u> | <u>\$ 69,249</u> | <u>\$ 40,534</u> | <u>\$ 30,398</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 353 | \$ 626 | \$ - | \$ - |
| Accrued expenses | 631 | 145 | - | - |
| Due to other funds | - | - | - | - |
| Total liabilities | <u>984</u> | <u>771</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Prepaid expenditures | - | - | - | - |
| Nonexpendable cemetery principal | - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | <u>20,810</u> | <u>68,478</u> | <u>40,534</u> | <u>30,398</u> |
| Total fund balances | <u>20,810</u> | <u>68,478</u> | <u>40,534</u> | <u>30,398</u> |
| Total liabilities and fund balances | <u>\$ 21,794</u> | <u>\$ 69,249</u> | <u>\$ 40,534</u> | <u>\$ 30,398</u> |

| <i>Special Revenue Funds</i> | | | | <i>Permanent Fund</i> | <i>Total Nonmajor Governmental Funds</i> |
|--------------------------------|---------------------------------------|-----------------------------------|---------------------|-------------------------------------|--|
| <i>Cemetery Operating Fund</i> | <i>Criminal Justice Training Fund</i> | <i>Drug Asset Forfeiture Fund</i> | <i>Library Fund</i> | <i>Cemetery Perpetual Care Fund</i> | |
| \$ 2,064 | \$ 1,941 | \$ 91 | \$ 14,868 | \$ 118,867 | \$ 278,608 |
| - | - | - | - | 632 | 1,652 |
| - | - | - | - | - | 20,178 |
| 8,554 | - | - | - | - | 8,554 |
| 353 | - | - | - | - | 353 |
| <u>\$ 10,971</u> | <u>\$ 1,941</u> | <u>\$ 91</u> | <u>\$ 14,868</u> | <u>\$ 119,499</u> | <u>\$ 309,345</u> |
| | | | | | |
| \$ 2,886 | \$ - | \$ - | \$ 4,200 | \$ - | \$ 8,065 |
| - | - | - | - | - | 776 |
| - | - | - | - | 8,554 | 8,554 |
| <u>2,886</u> | <u>-</u> | <u>-</u> | <u>4,200</u> | <u>8,554</u> | <u>17,395</u> |
| | | | | | |
| 353 | - | - | - | - | 353 |
| - | - | - | - | 110,945 | 110,945 |
| <u>7,732</u> | <u>1,941</u> | <u>91</u> | <u>10,668</u> | <u>-</u> | <u>180,652</u> |
| <u>8,085</u> | <u>1,941</u> | <u>91</u> | <u>10,668</u> | <u>110,945</u> | <u>291,950</u> |
| <u>\$ 10,971</u> | <u>\$ 1,941</u> | <u>\$ 91</u> | <u>\$ 14,868</u> | <u>\$ 119,499</u> | <u>\$ 309,345</u> |

CITY OF YALE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

| | <i>Special Revenue Funds</i> | | | |
|--|----------------------------------|----------------------------------|---------------------------------|--------------------------------------|
| | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>City Street Fund</i> | <i>Park Improvement Fund</i> |
| Revenues: | | | | |
| State grants | \$ 87,346 | \$ 35,835 | \$ 5,822 | \$ - |
| Contributions from other units | - | - | - | 8,594 |
| Charges for services | - | - | 34,743 | - |
| Interest and rents | 1,545 | 3,168 | 507 | 753 |
| Other revenue | - | - | 186 | - |
| Total revenues | <u>88,891</u> | <u>39,003</u> | <u>41,258</u> | <u>9,347</u> |
| Expenditures: | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 111,737 | 33,834 | 2,835 | - |
| Recreation and culture | - | - | - | 3,070 |
| Capital outlay | - | - | 12,704 | - |
| Total expenditures | <u>111,737</u> | <u>33,834</u> | <u>15,539</u> | <u>3,070</u> |
| Excess (deficiency) of revenues over expenditures | <u>(22,846)</u> | <u>5,169</u> | <u>25,719</u> | <u>6,277</u> |
| Other financing sources (uses): | | | | |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | (22,846) | 5,169 | 25,719 | 6,277 |
| Fund balances, beginning of year | <u>43,656</u> | <u>63,309</u> | <u>14,815</u> | <u>24,121</u> |
| Fund balances, end of year | <u>\$ 20,810</u> | <u>\$ 68,478</u> | <u>\$ 40,534</u> | <u>\$ 30,398</u> |

| <i>Special Revenue Funds</i> | | | | <i>Permanent Fund</i> | <i>Total Nonmajor Governmental Funds</i> |
|--------------------------------|---------------------------------------|-----------------------------------|---------------------|-------------------------------------|--|
| <i>Cemetery Operating Fund</i> | <i>Criminal Justice Training Fund</i> | <i>Drug Asset Forfeiture Fund</i> | <i>Library Fund</i> | <i>Cemetery Perpetual Care Fund</i> | |
| \$ - | \$ 1,391 | \$ - | \$ - | \$ - | \$ 130,394 |
| - | - | - | - | - | 8,594 |
| 16,967 | - | - | - | - | 51,710 |
| 39 | 35 | 232 | 187 | 8,564 | 15,030 |
| 2,650 | - | 189 | 19,700 | 1,750 | 24,475 |
| 19,656 | 1,426 | 421 | 19,887 | 10,314 | 230,203 |
| 28,006 | - | - | - | 10 | 28,016 |
| - | 555 | 3,854 | - | - | 4,409 |
| - | - | - | - | - | 148,406 |
| - | - | - | 9,817 | - | 12,887 |
| - | - | 6,578 | 4,200 | - | 23,482 |
| 28,006 | 555 | 10,432 | 14,017 | 10 | 217,200 |
| (8,350) | 871 | (10,011) | 5,870 | 10,304 | 13,003 |
| 8,554 | - | - | - | - | 8,554 |
| - | - | - | - | (8,554) | (8,554) |
| 8,554 | - | - | - | (8,554) | - |
| 204 | 871 | (10,011) | 5,870 | 1,750 | 13,003 |
| 7,881 | 1,070 | 10,102 | 4,798 | 109,195 | 278,947 |
| \$ 8,085 | \$ 1,941 | \$ 91 | \$ 10,668 | \$ 110,945 | \$ 291,950 |

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2008

| | <i>Economic Development Fund</i> | <i>Public Improvement Fund</i> | <i>Equipment Fund</i> | <i>Total</i> |
|---|---|---|----------------------------------|---------------------|
| Assets: | | | | |
| <i>Current assets:</i> | | | | |
| Cash, cash equivalents and investments | \$ 73,201 | \$ 95,676 | \$ 256,415 | \$ 425,292 |
| Accounts receivable | - | - | 2,340 | 2,340 |
| Accrued interest receivable | 104 | 311 | 1,963 | 2,378 |
| Due from other funds | - | - | 3,550 | 3,550 |
| Total current assets | <u>73,305</u> | <u>95,987</u> | <u>264,268</u> | <u>433,560</u> |
| <i>Noncurrent assets:</i> | | | | |
| Capital assets: | | | | |
| Depreciable capital assets, net | - | 111,569 | 499,660 | 611,229 |
| Investment in Industrial Park | <u>129,917</u> | <u>-</u> | <u>-</u> | <u>129,917</u> |
| Total noncurrent assets | <u>129,917</u> | <u>111,569</u> | <u>499,660</u> | <u>741,146</u> |
| Total assets | <u>203,222</u> | <u>207,556</u> | <u>763,928</u> | <u>1,174,706</u> |
| Liabilities: | | | | |
| <i>Current liabilities:</i> | | | | |
| Accounts payable | - | - | 2,205 | 2,205 |
| Accrued expenses | - | - | 269 | 269 |
| Due to other governmental units | 34,270 | - | - | 34,270 |
| Accrued interest payable | - | - | 4,186 | 4,186 |
| Current portion of long-term debt | <u>-</u> | <u>-</u> | <u>26,382</u> | <u>26,382</u> |
| Total current liabilities | <u>34,270</u> | <u>-</u> | <u>33,042</u> | <u>67,312</u> |
| <i>Noncurrent liabilities:</i> | | | | |
| Long-term debt | <u>-</u> | <u>-</u> | <u>161,118</u> | <u>161,118</u> |
| Total noncurrent liabilities | <u>-</u> | <u>-</u> | <u>161,118</u> | <u>161,118</u> |
| Total liabilities | <u>34,270</u> | <u>-</u> | <u>194,160</u> | <u>228,430</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | - | 111,569 | 312,160 | 423,729 |
| Unrestricted | <u>168,952</u> | <u>95,987</u> | <u>257,608</u> | <u>522,547</u> |
| Total net assets | <u>\$ 168,952</u> | <u>\$ 207,556</u> | <u>\$ 569,768</u> | <u>\$ 946,276</u> |

CITY OF YALE

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2008

| | <i>Economic Development Fund</i> | <i>Public Improvement Fund</i> | <i>Equipment Fund</i> | <i>Total</i> |
|---|---|---|----------------------------------|---------------------|
| Operating revenues: | | | | |
| Charges for services | \$ - | \$ - | \$ 21,400 | \$ 21,400 |
| Equipment rental | - | - | 86,826 | 86,826 |
| Total operating revenues | - | - | 108,226 | 108,226 |
| Operating expenses: | | | | |
| Personnel | - | - | 16,147 | 16,147 |
| Fringe benefits | - | - | 5,981 | 5,981 |
| Supplies | - | - | 14,274 | 14,274 |
| Contracted services | 760 | - | 575 | 1,335 |
| Insurance | - | - | 1,711 | 1,711 |
| Repair and maintenance | - | - | 14,858 | 14,858 |
| Other services and supplies | - | - | 321 | 321 |
| Depreciation | - | 3,341 | 52,751 | 56,092 |
| Total operating expenses | 760 | 3,341 | 106,618 | 110,719 |
| Operating income (loss) | (760) | (3,341) | 1,608 | (2,493) |
| Non-operating revenues (expenses): | | | | |
| Federal grants | - | - | 7,651 | 7,651 |
| State revenue for easement | - | 15,600 | - | 15,600 |
| Interest income | 2,723 | 4,392 | 10,234 | 17,349 |
| Rental income | - | 12,253 | - | 12,253 |
| Gain from sale industrial park land | 23,134 | - | - | 23,134 |
| Gain from sale of capital assets | - | - | 5,840 | 5,840 |
| Interest expense | - | - | (8,639) | (8,639) |
| Total non-operating revenues (expenses) | 25,857 | 32,245 | 15,086 | 73,188 |
| Net income (loss) before transfers | 25,097 | 28,904 | 16,694 | 70,695 |
| Transfers to other funds | - | (49,740) | - | (49,740) |
| Transfers to component units | (34,270) | - | - | (34,270) |
| Net income (loss) | (9,173) | (20,836) | 16,694 | (13,315) |
| Net assets, beginning of year | 178,125 | 228,392 | 553,074 | 959,591 |
| Net assets, end of year | \$ 168,952 | \$ 207,556 | \$ 569,768 | \$ 946,276 |

CITY OF YALE

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

| | <i>Economic Development Fund</i> | <i>Public Improvement Fund</i> | <i>Equipment Fund</i> | <i>Total</i> |
|---|--|--|---------------------------|--------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ - | \$ - | \$ 15,510 | \$ 15,510 |
| Cash received from interfund services | 34,270 | - | 86,826 | 121,096 |
| Other cash receipts | 5,739 | (224) | (1,171) | 4,344 |
| Cash payments to employees | - | - | (16,072) | (16,072) |
| Cash payments to suppliers for goods and services | (760) | - | (34,433) | (35,193) |
| Net cash provided (used) by operating activities | 39,249 | (224) | 50,660 | 89,685 |
| Cash flows from non-capital financing activities: | | | | |
| Transfers | (34,270) | (49,740) | - | (84,010) |
| Net cash used by non-capital financing activities | (34,270) | (49,740) | - | (84,010) |
| Cash flows from capital and related financing activities: | | | | |
| Federal grants | - | - | 7,651 | 7,651 |
| State revenue for easement | - | 15,600 | - | 15,600 |
| Acquisition and construction of capital assets | - | - | (142,636) | (142,636) |
| Gain from sale industrial park land | 23,134 | - | - | 23,134 |
| Gain from sale of capital assets | - | - | 5,840 | 5,840 |
| Proceeds from capital borrowing | - | - | 75,000 | 75,000 |
| Principal payments on capital debt | - | - | (12,500) | (12,500) |
| Interest paid on capital debt | - | - | (8,639) | (8,639) |
| Net cash used by capital and related financing activities | 23,134 | 15,600 | (75,284) | (36,550) |
| Cash flows from investing activities: | | | | |
| Interest received | 2,723 | 4,392 | 10,234 | 17,349 |
| Rental income | - | 12,253 | - | 12,253 |
| Net cash provided by investing activities | 2,723 | 16,645 | 10,234 | 29,602 |
| Net increase (decrease) in cash, cash equivalents and investments | 30,836 | (17,719) | (14,390) | (1,273) |
| Cash, cash equivalents and investments, beginning of year | 42,365 | 113,395 | 270,805 | 426,565 |
| Cash, cash equivalents and investments, end of year | \$ 73,201 | \$ 95,676 | \$ 256,415 | \$ 425,292 |

continued

CITY OF YALE

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2008

| | <i><u>Economic Development Fund</u></i> | <i><u>Public Improvement Fund</u></i> | <i><u>Equipment Fund</u></i> | <i><u>Total</u></i> |
|---|---|---|----------------------------------|---------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (760) | \$ (3,341) | \$ 1,608 | \$ (2,493) |
| Adjustments: | | | | |
| Depreciation | - | 3,341 | 52,751 | 56,092 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | - | - | (2,340) | (2,340) |
| Accrued interest receivable | (2) | (224) | (1,171) | (1,397) |
| Due from other funds | - | - | (3,550) | (3,550) |
| Investment in Industrial Park | 5,741 | - | - | 5,741 |
| Accounts payable | - | - | 585 | 585 |
| Accrued expenses | - | - | 75 | 75 |
| Due to other governmental units | 34,270 | - | - | 34,270 |
| Accrued interest payable | - | - | 2,702 | 2,702 |
| Net cash provided (used) by operating activities | <u>\$ 39,249</u> | <u>\$ (224)</u> | <u>\$ 50,660</u> | <u>\$ 89,685</u> |

CITY OF YALE

COMPONENT UNITS
COMBINING BALANCE SHEET
June 30, 2008

| | <i>Downtown Development Authority</i> | <i>Local Development Finance Authority</i> | <i>Total</i> |
|--|--|---|---------------------|
| Assets: | | | |
| Cash, cash equivalents and investments | \$ 63,440 | \$ 74,110 | \$ 137,550 |
| Accrued interest receivable | 72 | 499 | 571 |
| Due from other governmental units | <u>1,350</u> | <u>34,270</u> | <u>35,620</u> |
| Total assets | <u>\$ 64,862</u> | <u>\$ 108,879</u> | <u>\$ 173,741</u> |
| Liabilities and Fund Balances: | | | |
| <i>Liabilities:</i> | | | |
| Accounts payable | <u>\$ 20</u> | <u>\$ 83,089</u> | <u>\$ 83,109</u> |
| Total liabilities | <u>20</u> | <u>83,089</u> | <u>83,109</u> |
| <i>Fund balances:</i> | | | |
| Unreserved | <u>64,842</u> | <u>25,790</u> | <u>90,632</u> |
| Total fund balances | <u>64,842</u> | <u>25,790</u> | <u>90,632</u> |
| Total liabilities and fund balances | <u>\$ 64,862</u> | <u>\$ 108,879</u> | <u>\$ 173,741</u> |

CITY OF YALE

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

| | <i>Downtown Development Authority</i> | <i>Local Development Finance Authority</i> | <i>Total</i> |
|--|--|---|---------------------|
| Revenues: | | | |
| Property taxes | \$ 71,549 | \$ 23,827 | \$ 95,376 |
| Interest and rents | 689 | 2,967 | 3,656 |
| Total revenues | <u>72,238</u> | <u>26,794</u> | <u>99,032</u> |
| Expenditures: | | | |
| Current | | | |
| Community and economic development | 15,755 | 150 | 15,905 |
| Capital outlay | 2,125 | - | 2,125 |
| Debt service | | | |
| Principal | 21,930 | 5,000 | 26,930 |
| Interest and fees | 517 | - | 517 |
| Total expenditures | <u>40,327</u> | <u>5,150</u> | <u>45,477</u> |
| Excess (deficiency) of revenues over expenditures | <u>31,911</u> | <u>21,644</u> | <u>53,555</u> |
| Other financing sources (uses): | | | |
| Transfers from primary government | - | 34,270 | 34,270 |
| Transfers to primary government | <u>(48,814)</u> | <u>(93,326)</u> | <u>(142,140)</u> |
| Total other financing sources (uses) | <u>(48,814)</u> | <u>(59,056)</u> | <u>(107,870)</u> |
| Net change in fund balances | (16,903) | (37,412) | (54,315) |
| Fund balances, beginning of year | <u>81,745</u> | <u>63,202</u> | <u>144,947</u> |
| Fund balances, end of year | <u>\$ 64,842</u> | <u>\$ 25,790</u> | <u>\$ 90,632</u> |

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO NET CHANGE IN NET ASSETS:

Net change in fund balances - component units \$ (54,315)

Total change in net assets reported for the component units in the
statement of activities is different because:

Repayments of principal on long-term liabilities are expenditures in the
funds but the payments reduce long-term liabilities in the statement of
net assets.

26,929

Change in net assets of component units \$ (27,386)

CITY OF YALE

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2008

| | <i>July 1, 2007</i> | <i>Additions</i> | <i>Deductions</i> | <i>June 30, 2008</i> |
|---|-------------------------|------------------|-------------------|--------------------------|
| <u>Payroll Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 750 | \$ 691,943 | \$ 690,971 | \$ 1,722 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 750 | \$ 691,943 | \$ 690,971 | \$ 1,722 |
| <u>Current Tax Collection Fund</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 500,575 | \$ 1,807,676 | \$ 1,751,954 | \$ 556,297 |
| Liabilities | | | | |
| Accounts payable | \$ 500,575 | \$ 655,929 | \$ 600,207 | \$ 556,297 |
| Due to other governmental units | - | 1,151,747 | 1,151,747 | - |
| Total liabilities | \$ 500,575 | \$ 1,807,676 | \$ 1,751,954 | \$ 556,297 |
| <u>Total Agency Funds</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 501,325 | \$ 2,499,619 | \$ 2,442,925 | \$ 558,019 |
| Total assets | \$ 501,325 | \$ 2,499,619 | \$ 2,442,925 | \$ 558,019 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 501,325 | \$ 1,347,872 | \$ 1,291,178 | \$ 558,019 |
| Due to other governmental units | - | 1,151,747 | 1,151,747 | - |
| Total liabilities | \$ 501,325 | \$ 2,499,619 | \$ 2,442,925 | \$ 558,019 |

CITY OF YALE

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2008

PURCHASE CONTRACT - FIRE TRUCK

| | | |
|---|----|-----------------|
| Issue dated October 12, 2001 in the amount of | \$ | 185,000 |
| Less: Principal paid in prior years | | (60,000) |
| Principal paid in current year | | <u>(12,500)</u> |
| Balance payable at June 30, 2008 | \$ | <u>112,500</u> |

| <i>Fiscal Year Ended</i> | <i>Rate</i> | <i>Principal October 1</i> | <i>Interest October 1</i> | <i>Interest April 1</i> | <i>Total Annual Requirement</i> |
|------------------------------|-------------|--------------------------------|-------------------------------|-----------------------------|---|
| 2009 | 4.75% | \$ 12,500 | \$ 2,672 | \$ 2,375 | \$ 17,547 |
| 2010 | 4.75% | 12,500 | 2,375 | 2,078 | 16,953 |
| 2011 | 4.75% | 12,500 | 2,078 | 1,781 | 16,359 |
| 2012 | 4.75% | 12,500 | 1,781 | 1,484 | 15,765 |
| 2013 | 4.75% | 15,000 | 1,484 | 1,128 | 17,612 |
| 2014 | 4.75% | 15,000 | 1,128 | 772 | 16,900 |
| 2015 | 4.75% | 15,000 | 772 | 416 | 16,188 |
| 2016 | 4.75% | <u>17,500</u> | <u>416</u> | <u>-</u> | <u>17,916</u> |
| | | <u>\$ 112,500</u> | <u>\$ 12,706</u> | <u>\$ 10,034</u> | <u>\$ 135,240</u> |

Note: The Equipment Fund is obligated for this debt.

LOAN - STREET SWEEPER

| | | |
|--|----|---------------|
| Issue dated July 10, 2007 in the amount of | \$ | 75,000 |
| Less: Principal paid in prior years | | - |
| Principal paid in current year | | <u>-</u> |
| Balance payable at June 30, 2008 | \$ | <u>75,000</u> |

| <i>Fiscal Year Ended</i> | <i>Rate</i> | <i>Principal July 10</i> | <i>Interest July 10</i> | <i>Total Annual Requirement</i> |
|------------------------------|-------------|------------------------------|-----------------------------|---|
| 2009 | 3.96% | \$ 13,882 | \$ 2,974 | \$ 16,856 |
| 2010 | 3.96% | 14,439 | 2,417 | 16,856 |
| 2011 | 3.96% | 15,008 | 1,848 | 16,856 |
| 2012 | 3.96% | 15,602 | 1,254 | 16,856 |
| 2013 | 3.96% | <u>16,069</u> | <u>637</u> | <u>16,706</u> |
| | | <u>\$ 75,000</u> | <u>\$ 9,130</u> | <u>\$ 84,130</u> |

Note: The Equipment Fund is obligated for this debt.

CITY OF YALE

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS
June 30, 2008

MUNICIPAL PURCHASE AGREEMENT - PROPERTY

| | |
|--|-------------------|
| Issue dated August 21, 2006 in the amount of | \$ 320,000 |
| Less: Principal paid in prior years | - |
| Principal paid in current year | <u>(15,329)</u> |
| Balance payable at June 30, 2008 | <u>\$ 304,671</u> |

| <i><u>Year Ended</u></i> | <i><u>Rate</u></i> | <i><u>Principal July 1</u></i> | <i><u>Interest July 1</u></i> | <i><u>Total Annual Requirement</u></i> |
|--------------------------|--------------------|------------------------------------|-----------------------------------|--|
| 2009 | 4.99% | \$ 15,527 | \$ 15,233 | \$ 30,760 |
| 2010 | 4.99% | 16,343 | 14,417 | 30,760 |
| 2011 | 4.99% | 17,158 | 13,602 | 30,760 |
| 2012 | 4.99% | 18,014 | 12,746 | 30,760 |
| 2013 | 4.99% | 18,879 | 11,881 | 30,760 |
| 2014 | 4.99% | 19,853 | 10,907 | 30,760 |
| 2015 | 4.99% | 20,843 | 9,917 | 30,760 |
| 2016 | 4.99% | 21,882 | 8,878 | 30,760 |
| 2017 | 4.99% | 22,952 | 7,808 | 30,760 |
| 2018 | 4.99% | 24,118 | 6,642 | 30,760 |
| 2019 | 4.99% | 25,320 | 5,440 | 30,760 |
| 2020 | 4.99% | 26,583 | 4,177 | 30,760 |
| 2021 | 4.99% | 27,900 | 2,860 | 30,760 |
| 2022 | 4.99% | <u>29,299</u> | <u>1,461</u> | <u>30,760</u> |
| | | <u>\$ 304,671</u> | <u>\$ 125,969</u> | <u>\$ 430,640</u> |

Note: The General Fund is obligated for this debt.

CITY OF YALE

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
June 30, 2008

GENERAL OBLIGATION BOND (COUNTY OF ST. CLAIR) - PROJECT 5086-01

| | |
|---|--------------------------|
| Issue dated March 12, 1993 in the amount of | \$ 2,486,552 |
| Less: Principal paid in prior years | (1,501,552) |
| Principal paid in current year | <u>(130,000)</u> |
| Balance payable at June 30, 2008 | <u><u>\$ 855,000</u></u> |

Balance payable as follows:

| <i><u>Year Ended</u></i> | <i><u>Rate</u></i> | <i><u>Principal October 1</u></i> | <i><u>Interest October 1</u></i> | <i><u>Interest April 1</u></i> | <i><u>Total Annual Requirement</u></i> |
|--------------------------|--------------------|---------------------------------------|--------------------------------------|------------------------------------|--|
| 2009 | 2.00% | \$ 135,000 | \$ 8,550 | \$ 7,200 | \$ 150,750 |
| 2010 | 2.00% | 140,000 | 7,200 | 5,800 | 153,000 |
| 2011 | 2.00% | 140,000 | 5,800 | 4,400 | 150,200 |
| 2012 | 2.00% | 145,000 | 4,400 | 2,950 | 152,350 |
| 2013 | 2.00% | 145,000 | 2,950 | 1,500 | 149,450 |
| 2014 | 2.00% | <u>150,000</u> | <u>1,500</u> | <u>-</u> | <u>151,500</u> |
| | | <u><u>\$ 855,000</u></u> | <u><u>\$ 30,400</u></u> | <u><u>\$ 21,850</u></u> | <u><u>\$ 907,250</u></u> |

Note: The Sewer Fund is obligated for this debt.

CITY OF YALE

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS**

June 30, 2008

REVENUE BOND - WATER SUPPLY SYSTEM REVENUE BOND

| | | |
|--|----|-------------------------|
| Issue dated October 1, 2001 in the amount of | \$ | 1,857,000 |
| Less: | | |
| Principal paid in prior years | | (241,000) |
| Principal paid in current year | | <u>(48,000)</u> |
| Balance payable at June 30, 2008 | \$ | <u><u>1,568,000</u></u> |

| <i>Year Ended</i> | <i>Rate</i> | <i>Principal October 1</i> | <i>Interest October 1</i> | <i>Interest April 1</i> | <i>Total Annual Requirement</i> |
|-------------------|-------------|--------------------------------|-------------------------------|-----------------------------|---|
| 2009 | 4.875% | \$ 50,000 | \$ 38,220 | \$ 37,001 | \$ 125,221 |
| 2010 | 4.875% | 20,000 | 37,001 | 36,514 | 93,515 |
| 2011 | 4.875% | 22,000 | 36,514 | 35,977 | 94,491 |
| 2012 | 4.875% | 24,000 | 35,977 | 35,392 | 95,369 |
| 2013 | 4.875% | 25,000 | 35,392 | 34,783 | 95,175 |
| 2014 | 4.875% | 26,000 | 34,783 | 34,149 | 94,932 |
| 2015 | 4.875% | 27,000 | 34,149 | 33,491 | 94,640 |
| 2016 | 4.875% | 28,000 | 33,491 | 32,809 | 94,300 |
| 2017 | 4.875% | 29,000 | 32,809 | 32,102 | 93,911 |
| 2018 | 4.875% | 30,000 | 32,102 | 31,371 | 93,473 |
| 2019 | 4.875% | 32,000 | 31,371 | 30,591 | 93,962 |
| 2020 | 4.875% | 33,000 | 30,591 | 29,786 | 93,377 |
| 2021 | 4.875% | 35,000 | 29,786 | 28,933 | 93,719 |
| 2022 | 4.875% | 37,000 | 28,933 | 28,031 | 93,964 |
| 2023 | 4.875% | 38,000 | 28,031 | 27,105 | 93,136 |
| 2024 | 4.875% | 40,000 | 27,105 | 26,130 | 93,235 |
| 2025 | 4.875% | 42,000 | 26,130 | 25,106 | 93,236 |
| 2026 | 4.875% | 44,000 | 25,106 | 24,034 | 93,140 |
| 2027 | 4.875% | 46,000 | 24,034 | 22,912 | 92,946 |
| 2028 | 4.875% | 48,000 | 22,912 | 21,742 | 92,654 |
| 2029 | 4.875% | 51,000 | 21,742 | 20,499 | 93,241 |
| 2030 | 4.875% | 53,000 | 20,499 | 19,207 | 92,706 |
| 2031 | 4.875% | 56,000 | 19,207 | 17,842 | 93,049 |
| 2032 | 4.875% | 59,000 | 17,842 | 16,404 | 93,246 |
| 2033 | 4.875% | 61,000 | 16,404 | 14,917 | 92,321 |
| 2034 | 4.875% | 64,000 | 14,917 | 13,357 | 92,274 |
| 2035 | 4.875% | 67,000 | 13,357 | 11,724 | 92,081 |
| 2036 | 4.875% | 71,000 | 11,724 | 9,994 | 92,718 |
| 2037 | 4.875% | 74,000 | 9,994 | 8,190 | 92,184 |
| 2038 | 4.875% | 78,000 | 8,190 | 6,289 | 92,479 |
| 2039 | 4.875% | 82,000 | 6,289 | 4,290 | 92,579 |
| 2040 | 4.875% | 86,000 | 4,290 | 2,194 | 92,484 |
| 2041 | 4.875% | 90,000 | 2,194 | - | 92,194 |
| | | <u>\$ 1,568,000</u> | <u>\$ 791,086</u> | <u>\$ 752,866</u> | <u>\$ 3,111,952</u> |

Note: The Water Fund is obligated for this debt.

CITY OF YALE

COMPONENT UNITS

SCHEDULE OF INDEBTEDNESS

June 30, 2008

PROMISSORY NOTE - DOWNTOWN IMPROVEMENTS

| | | |
|---|----|-----------------|
| Issue dated June 3, 2003 in the amount of | \$ | 105,000 |
| Less: | | |
| Principal paid in prior years | | (83,071) |
| Principal paid in current year | | <u>(21,929)</u> |
| Balance payable at June 30, 2008 | \$ | <u><u>-</u></u> |

Note: The Downtown Development Authority is obligated for this debt.

CONTRACT PAYABLE - REPAIR WORK

| | | |
|--|----|-----------------|
| Issue dated December 30, 2003 in the amount of | \$ | 25,000 |
| Less: | | |
| Principal paid in prior years | | (20,000) |
| Principal paid in current year | | <u>(5,000)</u> |
| Balance payable at June 30, 2008 | \$ | <u><u>-</u></u> |

Note: The Local Development Finance Authority is obligated for this debt.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Yale, Michigan

We have audited the financial statements of the City of Yale as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Yale's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as follows:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Yale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bertchaine & Co.

Saginaw, Michigan
September 18, 2008



REQUIRED COMMUNICATION TO THE CITY OF YALE IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the City Council
City of Yale

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Yale for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 2, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Yale are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the City of Yale as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Yale's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

September 18, 2008